

It's News to Me

Vol. 23, No. 1

Summer 2002

From the Director *Making Something Good Better*

Following in the footsteps of a public servant as dedicated and talented as Bob Toomey, former South Carolina Retirement Systems Director, is a challenge I take on humbly and hopefully. I have confidence in the employees of the Retirement Systems and look forward to working with them, and on your behalf, to continue to improve the services we provide.

Customer service was always at the forefront during Bob's tenure, and it shall remain so with mine. As I take my first steps as director, I hope to further enhance the services we provide. Sometimes, improvement efforts involve communication with and coordination between organizations. We have already formed a Customer Focus Committee that is working closely with the Employee Insurance Program to identify common customers and areas of operations in which we may facilitate service delivery to our respective and common customers. As a result of these efforts, Retirement Systems and Employee Insurance Program staff will be cross-trained within the next few months so that you can be better informed about your benefits regardless of which office you contact.

As we identify areas in which we can enhance service delivery, I assure you that we will do our best to implement changes to effect such improvements. We hope to keep you better informed as well. Look for periodic updates on our progress in the "From the Director" feature on our website at www.scrs.state.sc.us.

Peggy G. Boykin

Boykin Named Director

Peggy G. Boykin was named director of the South Carolina Retirement Systems effective March 1, 2002. Boykin took over for Robert Toomey, who announced his retirement in December 2001.

Boykin, a certified public accountant, has worked for the South Carolina Retirement Systems since 1991 and previously



Peggy G. Boykin, CPA

served as assistant director and executive manager for Benefits Payroll.

A native of Wagener, South Carolina, Boykin earned a bachelor's degree in business administration from the College of Charleston in 1981. She received her Certified Retirement Administrator designation in 1999.

Newsletter Name, Other Changes

Systems Update has a new name, look, and focus! We've sharpened the overall focus of the newsletter. *It's News to Me* is being distributed electronically to employers for whom we have email addresses. Your employer, in turn, is distributing *It's News to Me* through your email system or Intranet. Electronic publishing is convenient for everyone with email and/or Internet/Intranet access and provides significant, and much needed, cost savings for us all.

Inside this Issue

From the Director	1
Boykin Named Director	1
Newsletter Name, Other Changes	1
Can You Trust Us?	2
Your Disability Benefits	2
ORPs Consolidate	3
How to Begin, End TERI	3
Legislative Update	4
Investment Panel Update	4
Coming Soon!	4

**Customer Services' email address has changed
to cs@scrs.state.sc.us.**

Can You Trust Us?

Sure you can! Not only that, you can trust your benefits. A trust is a legal document set up by a member for certain beneficiaries. The member names a trustee to manage the trust for the beneficiaries. **A trustee designation is not a guardian appointment.**

To designate a trust to receive payment of your in-service death benefits, you must set up a valid trust agreement, and complete a Beneficiary/Trustee Designation Form (Form 1103) and a Certification of Trust (Form 1113). To designate a trust to receive payment of your monthly retirement benefit, you must set up a valid trust agreement, and complete an Application for Service Retirement Benefits (Form 6101) or an Application for Disability Retirement Benefits (Form 6151), and a Certification of Trust (Form 1113). In either case, you must also submit a copy of your trust agreement to the Retirement Systems.

If your trustee cannot produce a trust document at your death, payment will not be made to the trustee. Payment will be made directly to the beneficiaries you designated as trust beneficiaries. If no trust beneficiaries are alive at your death, payment will be made to your estate.

To obtain a *Trusts and Beneficiary Designations* brochure or any of the required forms, visit our website at www.scrs.state.sc.us or contact Customer Services toll free at 1-800-868-9002 (available within SC only), at 803-737-6800, or at cs@scrs.state.sc.us.

Your Disability Benefits

Becoming disabled isn't something you like to think about, but it pays to be aware of your disability benefits and know how to apply for them if the need arises.

Who May Apply

Any active member who is eligible to apply for disability retirement benefits may do so. There are four eligibility requirements for members:

- You must be in service, which means you must still be on your employer's payroll in a paid or unpaid capacity. This includes being on sick leave, annual leave, or leave without pay, or getting leave from a leave pool.
- The second requirement is that you must not be over age 65 if you are a member of the South Carolina Retirement System (SCRS) or age 55 if you are a Police Officers Retirement System (PORS) member.
- The third requirement is that you must have at least five years of earned service credit unless you can substantiate that your disability is the result of a job-related injury.
- The fourth requirement is that your disability is likely to be permanent.

How to Apply

You must complete the required forms and submit them to the Retirement Systems as soon as possible and while still employed. A member's date of retirement cannot be earlier than 30 days after his or her disability retirement application is received.

The forms you must complete are: an Application for Disability Retirement Benefits (Form 6151); a Disability Report (Form 6251); and a separate Authorization for Release of Information to Disability Determination Service

(Form 6255) for each medical provider. Your employer must complete the Job Description (Form 6254) and Disability Employment Status Report (Form 6253).

What Happens Next

Once we have received all of the correctly completed forms from you and your employer, and you are determined to be eligible to apply, we forward the file to our disability determination provider (DDP). The DDP collects medical evidence and makes a recommendation to the Retirement Systems' Medical Board. The DDP is allowed up to 90 days to gather medical evidence from the sources you provide to support your disability claim and make a recommendation to the Medical Board. Files with joint Retirement Systems and Social Security disability claims determination may take longer. Once the file comes back from the DDP, the Medical Board will review the file at its next weekly meeting to determine whether to approve or deny your application for disability retirement benefits.

If the Medical Board denies your application for disability retirement benefits, there is an appeals process that is explained in a letter you would receive after the denial. If the Medical Board approves your application for disability retirement benefits, your date of retirement would be 30 days after the receipt of your retirement application or the day after your last day on payroll, whichever is later.

If you have any questions regarding disability retirement, please contact Customer Services toll free at 1-800-868-9002 (available within SC only), at 803-737-6800, or at cs@scrs.state.sc.us.

Your Pension Is Not Only Safe, It's Guaranteed

You read it in the newspapers and watch it unfold on television day after day: the continued volatility of the stock markets. Reports of trouble within publicly traded corporations abound. The unpredictability of events on Wall Street has become fodder for top news stories almost every day of the week.

You may, or may not, know that the South Carolina Retirement Systems has about 27 percent of its holdings invested in equities. As a member of the Retirement Systems, you may have concerns about the effect of declining equity investment performance on your pension.

The South Carolina Retirement Systems is a defined benefit plan, which means the retirement benefits it provides, not the contributions into the plan, are specified. **Your pension, which is also guaranteed by state law, is based on your years of service, salary, and a benefit multiplier, not on investment performance.** Not only does the law guarantee your pension, but the Retirement Systems is also in strong financial condition.

As a member of the Retirement Systems, we believe you should know what is going on with your pension funds. The news is not great, but it isn't that bad, either.

Since July 1999, the Retirement Systems has invested about \$6.82 billion in the stock market. As of June 30, 2002, that investment was valued at \$5.69 billion, a decline of \$1.13 billion. This figure, however, represents only a "paper" decline in our stocks, not an actual "loss," since we have

not sold off all of our stocks for less than we paid.

And, we are not going to do that. The Retirement Systems is investing for the long run – decades in fact. With more than \$21 billion in holdings, we have ample funds to pay current retirees without having to touch our stock portfolio. While these have been very bumpy times on Wall Street, history has shown that the best course is to ride out market declines. Over the long term, stock investing is an essential tool for any pension plan. That's why every public retirement system in America owns equities.

Be assured that the Retirement Systems knows that the pension fund is **your** money. That is why we are conservative investors. State law dictates that no more than 40 percent of the Retirement Systems' holdings can be invested in stocks. The rest remains in bonds and other fixed investments. The Retirement Systems has been slowly moving towards the 40 percent ceiling, adding money gradually just like an individual might invest through an automatic purchase plan.

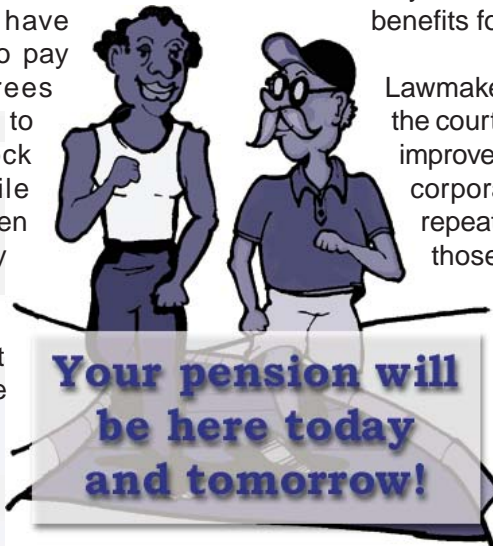
This means that most of the money we have put into the stock market was invested after the market's initial decline. In fact, we are buying shares at

lower prices and, unlike an individual who is close to retirement and needs his or her money soon, the Retirement Systems can ride out the ups and downs of the stock market. The money we have in the stock market today will not be needed to pay benefits for decades.

Lawmakers, regulators, and the courts are now moving to improve the accountability of corporations to prevent a repeat of the problems like those seen at Enron and WorldCom. It is important that wrongdoers are punished and that new rules are put into place to protect individual investors and pension plans. The

South Carolina Retirement Systems will be a part of any class action lawsuits brought against firms in which we owned shares that are charged with irregularities that hurt their stock value.

Despite the unpredictable nature of the market, history has shown that prudently investing in stocks is the best way over the long haul to increase wealth. That's because a diversified stock portfolio reflects the American economy – the strongest and most vibrant economy the world has ever known. The South Carolina Retirement Systems will continue to make equities a part of our diversified portfolio. But, as the financial steward of your pension funds, we will do so pragmatically and conservatively.



Frequently Asked Questions

How many years of service credit do I have?

You may refer to the annual Retirement Systems member statement distributed to you each fall through your employer or request a member statement by contacting Customer Services toll free at 1-800-868-9002 (available within SC only), at 803-737-6800, or at cs@scrs.state.sc.us, or by visiting our office. Member statements are estimates of your years of service if your account has not been audited. You may request an audit of your account at any time.

When can I retire?

If you are a South Carolina Retirement System (SCRS) member, you may retire and receive an unreduced annuity at age 65 (you must have five years of earned service if you became an SCRS member on or after January 1, 2001) or with 28 years of service (five years must be earned service if you became an SCRS member on or after January 1, 2001).

You may retire early and receive a reduced annuity at age 60 (you must have five years of earned service if you became an SCRS member on or after January 1, 2001) or at age 55 with 25 years of service credit (five years must be earned service if you became an SCRS member on or after January 1, 2001). Your annuity will

be permanently reduced if you are not age 65 or do not have 28 years of service credit.

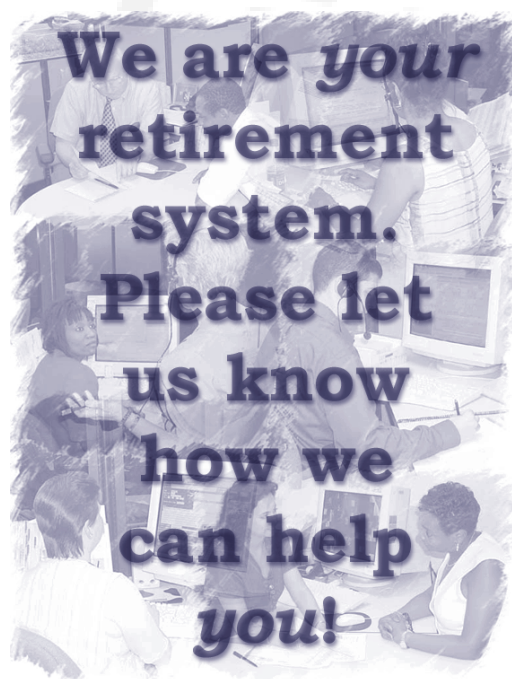
If you retire early, you will not be eligible for cost-of-living adjustments until the second July 1st after you reach age 60 or the second July 1st after the date you would have attained 28 years of service credit had you not retired.



If you are a Police Officers Retirement System (PORS) member, you may retire and receive an unreduced annuity at age 55 with at least five years of service credit (the five years must be earned service if you became a PORS member on or after January 1, 2001) or with 25 years of service credit (five years must be earned service if you became a PORS member on or after January 1, 2001).

What is an annuity?

An annuity is a series of periodic payments for a fixed future period or for life. Your retirement benefit is an annuity payable in monthly increments for the rest of your life. If you select a survivor option, an annuity will continue to your designated beneficiary for the rest of his or her life after your death. A deferred annuity is an annuity for which you do not become eligible until some future date after you have terminated covered employment. You must apply for a deferred annuity.



Installment Service Purchase Program Interest Rate Change

Effective July 1, 2002, the interest rate for the Retirement Systems' Installment Service Purchase Program is 6.75 percent. This rate applies to installment service purchases initiated on or after July 1, 2002.

The interest rate for members with installment service purchases in effect prior to July 1, 2002, will not change. The interest rate in effect at the time of initiation of your installment service purchase will be in effect for the duration of your installment service purchase.

Interested in purchasing service? Contact the Retirement Systems toll free at 1-800-868-9002 (available within SC only), at 803-737-6800, or at cs@scrs.state.sc.us.

ORPs Consolidate, Expand Eligibility

Effective July 1, 2001, the State Optional Retirement Program (State ORP) was extended to all new public school district employees hired on or after July 1, 2001. The State ORP, established in 2000 as an alternative to the South Carolina Retirement System (SCRS), was previously available to public school teachers and administrators only.

The same Active Membership Group Life Insurance benefit provided to SCRS members was provided to State ORP participants effective July 1,

2001. The Active Membership Group Life Insurance benefit will not be provided to participants in the Higher Education Optional Retirement Program (ORP) until July 1, 2002.

The ORP established in 1987 for newly hired faculty and those in certain administrative positions at higher education institutions and expanded in 1998 to include newly hired faculty and those in certain administrative positions at technical education colleges will be consolidated with the State ORP effective July 1, 2002.

Eligibility for the consolidated ORP, to be called the State ORP, will be extended to all new higher education and technical college employees, and all new state employees hired on or after July 1, 2002.

The same Active Membership Group Life Insurance benefit provided to SCRS members, and State ORP members effective July 1, 2001, will be provided to all higher education institution and technical college ORP members effective with the July 1, 2002, consolidation.

How to Begin, End TERI Participation

If you have decided to participate in the Teacher and Employee Retention Incentive (TERI) program, available to South Carolina Retirement System (SCRS) members only, here's what you need to do.

First, fully complete an SCRS Application for Service Retirement Benefits (Form 6101S) as early as six months prior to your planned TERI retirement date. Check the TERI participation block on the retirement application (Section IV). Sign the application in the presence of a notary. Attach to your application a copy of your proof of birth and, if you select a joint retiree-survivor payment plan, a copy of your beneficiary's proof of birth. Please make certain your Social Security number and name appear on each copy of the proofs of birth.

Meet with your employer and jointly complete both sections of the Employer Certification of Last Day Paid (Form 6201). Both you and your employer are required to sign the last section of Form 6201 to acknowledge your participation in TERI. Your date of retirement (TERI start date) can be no more than one day after your last day on payroll or your date of termination, whichever is later. Submit your application to: Customer Annuity Claims, South Carolina Retirement Systems, PO Box 11960, Columbia, SC 29211-1960.

If you have not received a letter from the Retirement Systems acknowledging receipt of your application within 10 days of submission, it is important that you contact Customer Services toll free at 1-800-868-9002 (avail-

able within SC only), at 803-737-6800, or at cs@scrs.state.sc.us. Please do not terminate employment or enter the TERI program unless the Retirement Systems has sent you verification of your retirement eligibility.

If you are already a TERI participant and want to end your TERI participation, please advise your employer and notify the Retirement Systems by contacting Customer Services toll free at 1-800-868-9002 (available within SC only), at 803-737-6800, or at cs@scrs.state.sc.us. Customer Services will send you a packet that includes a TERI statement, a letter verifying any previous direct deposit and tax withholding choices, and a TERI Payout Election Form (Form 7500). Customer Services also will mail to your employer a TERI Last Day Paid Verification Form (Form 7510).

After you have terminated employment and the Retirement Systems has received all necessary payout information from both you and your employer, your TERI funds will be distributed according to your payout selection on Form 7500 (i.e., a rollover and/or a direct distribution to you). It generally takes about 30 days after your termination date for your TERI funds to be distributed if you return all required paperwork promptly. After TERI participation ends, your monthly retirement benefits will be paid directly to you by mail or electronic transfer (direct deposit) to your financial institution. If you return to covered employment after your TERI participation ends, you will be subject to the service retiree earnings limitation (up to \$50,000 per fiscal year).

Legislative Update for Fiscal Year 2003

PORS Retiree Earnings Limitation Removed

Effective July 1, 2002, Police Officers Retirement System (PORS) members who have been retired for at least 15 consecutive calendar days may return to work for an employer covered by the Retirement Systems with no earnings limitation. If a retired PORS member returns to covered employment sooner than 15 consecutive calendar days after retirement, the member's retirement annuity will be suspended while the member remains employed by a covered employer.

PORS Retirees Not Eligible for Second Unused Leave Payment

Effective July 1, 2002, retired PORS members who return to work for the state or its agencies, a higher education institution, board, or commission, or a public school, are not eligible to receive a lump-sum payment of their unused leave upon termination of employment.

Medicaid Sponsored Care May Affect Annuitant's Cost-of-Living Adjustment Increases

Effective July 1, 2002, retirees and beneficiaries of the South Carolina Retirement Systems receiving Medicaid (Title XIX) sponsored nursing home care as of June 30th of the prior fiscal year will not receive a cost-of-living adjustment (COLA) in their retirement benefits during the current fiscal year. A retiree or beneficiary in this situation may receive the COLA if the retiree or beneficiary is discharged from the nursing home and does not require admission to a hospital or nursing home within six months of discharge.

COLAs are not guaranteed for any annuitant. The Retirement Systems' actuary must first determine whether funding requirements have been met, then the State Budget and Control Board must approve the COLA.

Investment Panel Update

You may already know that the Retirement Systems has about 27 percent of its total holdings invested in stocks. The funds are currently invested by 15 experienced investment managers who are closely monitored by the State Retirement Systems Investment Panel.

One of these managers held shares of Enron stock, and as a result of the collapse of Enron, lost \$4.2 million. This particular investment manager, however, gained \$37 million

during the same quarter. The Retirement Systems' loss on Enron equals a fraction of a single percentage point of its total holdings and in no way impacts the Systems' financial health.

You can rest assured that your benefits will be here today and tomorrow. Your pensions are guaranteed by law and the Retirement Systems has more than \$21 billion to pay current and future claims.

Coming Soon!

The South Carolina Deferred Compensation Program is adding new enhancements to help make your retirement planning easier than ever. In January 2003, we will be switching Program recordkeepers from Great West to CitiStreet, a move that

allows us to offer great new features and a more robust Web site: all at a lower participant cost! Stay tuned — in November, you will receive details about all of the exciting program changes.

State Budget and Control Board

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Governor

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State Treasurer

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Comptroller General

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Robert W. Harrell, Jr.
Chairman, House Ways and Means Committee

Frank W. Fusco
Executive Director

South Carolina Retirement Systems
Peggy G. Boykin, CPA
Director

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Megan L. Reynolds
Editor

Heather Muller
Assistant Editor